

Message Text

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PAGE 01 GUATEM 05946 212259Z
ACTION COME-00

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FM AMEMBASSY GUATEMALA
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FOR USDOC - MAJOR EXPORT PROJECTS DIV

E.O. 11652 NA
TAGS: BEXP, GT
SUBJ: \$50 MILLION CHAMPERICO PORT PROJECT

REF: 76 GUATEMALA A-138

1. US FIRM'S FEASIBILITY STUDY FOR CONSTRUCTION OF PORT AT CHAMPERICO ON GUATEMALA'S PACIFIC COAST HAS BEEN FINISHED AND PRESENTED TO PORT AUTHORITIES.

2. EMBOFF DISCUSSED PROJECT WITH PORT MANAGER, COL LUIS URRUTIA, WHO SAID THAT DECISION ON GOING AHEAD WITH CONSTRUCTION (ESTIMATED TO COST AROUND \$50 MILLION) IS NOW UP TO CENTRAL GOVERNMENT. ALTHOUGH HE ADMITTED THAT FINANCE MINISTER HAD TOLD HIM RECENTLY THAT IT IS DOUBTFUL IF PRESENT GOVERNMENT (NEW GOVERNMENT IS DUE IN TEN MONTHS) WILL APPROVE SUCH AN EXPENDITURE, MANAGER SAID HE IS PLANNING TO HOLD PRESIDENT TO HIS PROMISE TO BEGIN CONSTRUCTION BEFORE END OF HIS TERM (SEE REFAIR). IN FURTHERANCE OF THAT GOAL, PORT AUTHORITY IS PLANNING BIG PUBLICITY CAMPAIGN TO PROMOTE PROJECT.

3. HE THEN RELATED THAT HE HAD RECENTLY RETURNED FROM 12 DAYS IN JAPAN AT INVITATION OF JAPANESE CONSTRUCTION FIRM WHO HAS OFFERED COMPLETE CONSTRUCTION PACKAGE INCLUDING \$50 MILLION
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IN FINANCING AT FROM 3.5 PERCENT TO 4.5 PERCENT INTEREST PER ANNUM WITH 7 YEARS GRACE. HE SAID PORT AUTHORITY ALSO HAS SECOND JAPANESE OFFER BUT UP TO NOW NO CONTACTS FROM US CONSTRUCTION FIRMS.

4. IN SEPARATE CONVERSATION, ECONOFF SPOKE TO NEWLY ARRIVED JAPANESE AMBASSADOR WHO WAS CLEARLY UNDER INSTRUCTIONS TO

"FIND INVESTMENT PROJECTS, EVEN SMALL ONES IN SMALL COUNTRIES."
THE IMPRESSION RECEIVED WAS THAT JAPAN ONCE AGAIN IS SEEKING
TO PROMOTE CAPITAL INVESTMENT OUTFLOW FOR BALANCE OF PAYMENTS
REASONS.

5. COMMENT AND ACTION REQUESTED: ALTHOUGH INITIATION OF CON-
STRUCTION OF THIS PROJECT IS STILL VERY PROBLEMATIC, POST
BELIEVES THAT IF PERSONAL CONTACTS FROM US FIRMS ARE NOT RECEIVED
SOON, THIS IS CERTAIN TO BE A JAPANESE PROJECT IF IT DOES GO
FORWARD. OUR CONTACTS WITH URRUTIA INDICATE THAT ON PRINCIPLE,
HE WOULD PROBABLY PREFER US CONSTRUCTION COMPANY. EMBASSY
RECOMMENDS, THEREFORE, THAT COMMERCE CONTACT SEVERAL KEY US
PORT CONSTRUCTION FIRMS TO SEE IF THEY WOULD BE WILLING TO COME
TO GUATEMALA TO DISCUSS PROJECT WITH URRUTIA WITH A VIEW TO
MAKING A CONSTRUCTION PROPOSAL INCLUDING A FINANCING PACKAGE.
OBVIOUSLY, THEY COULD NOT MEET ALLEGED JAPANESE INTEREST RATE,
SO OTHER ASPECTS OF ANY SUCH PROPOSAL WOULD HAVE TO BE MORE
FAVORABLE. ONE US FIRM WHO EXPRESSED INTEREST IN CONSTRUCTION
OF PROJECT IS J. RICH STEERS, 11 BATTERY PLACE, NEW YORK,
NEW YORK, TEL: (212) 943-3500, CONTACT REMY PAPP. EMBASSY
WOULD APPRECIATE KNOWING REACTIONS FROM US FIRMS.
ANDREWS

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